

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= Name of Scholarship Program
C= Name of School District
D= State
j= Number
k= Number
m dollars= Amount
n dollars= Amount

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program called B.

You will provide scholarships to high school seniors of C who demonstrate a strong entrepreneurial spirit and are interested in obtaining a higher education in the state of D to enhance his or her entrepreneurial opportunities.

You will award between j to k number of scholarships per year in the range of \$m to \$n dollars each.

Your criteria for selecting the scholarship recipients will be as follows:

- High school senior from C
- Planning to attend a college or vocational school in D

In addition to the requirements listed above, scholarships will be granted to applicants exhibiting exemplary levels of the following criteria:

- Applicant should be goal-oriented, self-motivated, exemplifying an entrepreneurial spirit, possess a clear vision of what he or she desires for his or her future, and display passion, integrity, innovation, accountability, and other character traits that you hold in high regard
- Applicant can demonstrate that he or she has encountered and overcome some sort of hardship such as personal or family illness, high-risk or criminal parental behaviors, loss of a loved one, etc.

The applicants will be asked to submit an essay or video no longer than three minutes, describing what being an entrepreneur means to him or her and how he or she will use entrepreneurship to achieve his or her dream for the future.

You will publicize the scholarship in the following ways:

- Emails to all high school seniors in the school district and their parents
- Postings on the school district schools' websites
- Announcements in school district newsletters
- Posters in school district schools

The screening and selection process to determine recipients is as follows:

- Screening committees at each high school will perform an initial review to find ten applicants from their high school that best fits your criteria. Each committee is composed of two divisions: one is composed of community volunteers who do not have close knowledge of the students, and the second group is composed of teachers and administrators from the high school. The community volunteers give each application a score based on the scholarship criteria. This score is then used by the high school staff division of the committee to narrow down applications before arriving at a group consensus on the finalists.
- Your scholarship review committee, comprised of six to eight year-round volunteers, will read and fill out a score card for each of the remaining applications. Committee members are asked to recuse themselves from scoring an applicant if they happen to know the person being scored. Based on the score

cards, you will extend an interview to the top six to eight candidates. Interviews with finalists are scheduled through the school district scholarship coordinator. Your review committee then meets with each finalist to ask them pre-scripted questions. Based on the interviews, one to five applicants will be selected as recipients of the scholarship award; the size of the award will depend on the number of recipients.

Scholarships will be provided to recipients as one-time grants paid directly to the higher educational institution the recipient chooses to attend, under an arrangement whereby the school will apply the grant funds toward tuition fees only for enrolled students who are in good standing.

The scholarship recipient will be required to provide a report to you upon the conclusion of the school year during which the grant was administered. The report will describe the studies the recipients have pursued during the past year, a description of any extracurricular activities participated in, and a reflection on the goals that had originally been articulated in their scholarship application.

You represented that you will investigate diversions of funds from their intended purposes, take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a recipient are used for their intended purposes, and withhold further payments to recipients until you obtain recipients' assurances that future diversions will not occur and that recipients will take extraordinary precautions to prevent future diversions from occurring.

You represented that you will maintain all records relating to individual grants, including information obtained to evaluate recipients, identify whether a recipient is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b) (1) (A) (ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c) (2) (B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations